EDUCATION

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OVERVIEW

The President’s Approach

The President’s basic approach is to expand the role of Washington instead of States, local school districts, and parents. Although Washington’s education bureaucracy already has more than 760 education programs spread out over 39 different agencies, the President’s budget proposes creating *20* new Federal education programs. As columnist David S. Broder has written: “The Federal Government finances only 8 percent of education. It shouldn’t be making those who do the rest jump through Washington hoops.”

Before creating any new programs or spending additional funds, the Government should free up local dollars by meeting existing education mandates, such as Impact Aid and Individuals with Disabilities Education Act [IDEA]. IDEA sets the Federal funding commitment at 40 percent of the State’s special education costs, but the current funding covers only 12.6 percent. The President only proposes a 5-percent increase for IDEA funding for fiscal year 2001.

Although the President knows that Congress will fully fund the program, once again he proposes a 15-percent overall cut in Impact Aid. Impact Aid provides funding for building and renovating schools in districts that educate “federally connected” children, such as those whose parents live or work in military installations and Indian reservations. In addition to cutting Impact Aid, the President eliminates the payments for heavily impacted districts, as well as payments for Federal property.

The President also proposes to eliminate Title VI, known as Innovative Education Program Strategies State grants, which provides funding – without bureaucratic strings – for State and local educational agencies’ reform efforts. Title VI reinforces reforms that are already taking place through State and local initiative.
effective State and local initiatives, ensuring that it neither impedes local innovation and control nor diverts funds from the classroom through burdensome regulations and overhead.

The Status Quo is Not Acceptable

Maintaining the status quo of our nation's education system is not acceptable. Low test scores reveal the current state of the U.S. education system:

< Nearly 40 percent of America's 4th graders read below the basic level on national reading tests.

< In the inner cities, 58 percent of low-income 4th graders nationally cannot read at a basic level.

< One-third of all incoming college freshmen have to enroll in a remedial reading, writing, or mathematics class before taking regular courses.

< U.S. 12th graders scored well below the international average and among the lowest of the 21 Third International Math and Science Study [TIMSS] nations in both mathematics and science general knowledge.

  - Of the 21 countries whose high school seniors participate in the general TIMSS knowledge tests, the United States ranks 16th in science knowledge and 19th in math skills.

  - U.S. students' international standing was stronger at the 4th and 8th grade levels than at the 12th grade level in both mathematics and science achievement. The longer U.S. students remain in our public school system, the worse their scores become.

Waste, Fraud, Abuse, and Mismanagement

< An Ernst & Young audit of the Department's fiscal year 1998 financial statements found that – for the 3rd year in the past 4 – *the Department could not reliably account for the billions of dollars it spends.*

< This is important because, as the General Accounting Office [GAO] put it: "The Department's inability to prepare reliable, year-end financial statements . . . is evidence that Education cannot provide reliable information about its operations on a day-to-day basis." Some specifics:

  - The audit found discrepancies as large as $6 billion dollars in the financial statements that the Department could not explain.

  - The Department had to make more than 700 ad hoc adjustments in the statements to make the numbers add up.

- The Department could not reconcile its records with cash transactions of the Treasury Department.

- The Department purchased a dysfunctional accounting system. As a result, auditors had to dig through records by hand to come up with year-end balances that should have been produced automatically.

< The Department's computer systems have failed security requirements. GAO elaborated as follows:

- Weak computer security measures "place critical Education operations, such as financial management and sensitive loan and grant systems, at increased risk of unauthorized access and disruption."

- "Sensitive financial transaction data are vulnerable to inadvertent or deliberate misuse, fraudulent use, improper disclosure, or destruction, possibly occurring without detection."

SCHOOL CONSTRUCTION

Background

In his budget for fiscal year 2001, the President expanded his school construction proposal to include a new $1.3-billion appropriation for school modernization and renovation loans and grants. In addition to this new initiative, the President has once again proposed allowing States and school districts to issue $24.8-billion worth of zero-interest school modernization bonds. Purchasers of these bonds would receive annual Federal income tax credits in lieu of interest payments to finance public school construction or rehabilitation. The projected cost to the taxpayer would be $3.7 billion over 5 years, according to the administration's Office of Management and Budget.

Key Points

< Before creating any new programs or spending additional funds, the Government should meet previously created mandates. Meeting the Federal Government's special education and Impact Aid commitments would free up local dollars to hire more teachers and repair schools.

- The Federal Impact Aid program provides funding for building and renovating schools in districts that educate "federally connected" children, such as those whose parents live or work in military installations and Indian reservations.

- The Individuals with Disabilities Education Act [IDEA] sets the Federal funding commitment at 40 percent of the State's special education costs. The current funding covers only 12.6 percent.

- Joyce Benjamin, Oregon’s assistant superintendent stated: “We are talking about new Federal funding when we haven’t fully funded” the Individuals with Disabilities Education Act [IDEA].

< The President’s initiative is, again, creating a new program that expands the Federal Government’s role in an area that has traditionally been reserved to State and local school districts.

- In 1998, public school districts completed $15.5 billion in school construction. (1999 School Planning and Management Construction Report)

- Then Massachusetts Education Commissioner Robert Antonucci explained: “If we had a choice, I don't think we’d want the Federal Government to be in the facilities business,” because there are other, more pressing priorities. “If we had a choice, we’d say give the money to IDEA, but we might not have a choice.” (*Education Daily*, 12 November 1996)

< A recent study published by the Educational Testing Service found that increases in capital spending do not raise student achievement. (“When Money Matters,” Harold Winglensky. May 1997)

< The President urged Congress to rescind “Education Infrastructure Act” construction funds for fiscal year 1995, and his fiscal year 1996 budget request stated: “The construction and renovation of school facilities has traditionally been the responsibility of State and local governments, financed primarily by local taxpayers; we are opposed to the creation of a new Federal grant program for school construction.” (Department of Education Fiscal Year 1996 Budget Justification)

< The President vetoed the Taxpayer Refund and Relief Act of 1999, which included several proposals to make it easier and less expensive for *local* districts to fix their public schools through new construction and renovation.

- Its school construction provisions would “relax” the public bond regulations so State and local governments would face lower costs and have greater flexibility to build and renovate their schools. The proposals would allow States 4 years instead of 2 to begin construction and grant more freedom to invest the money before construction began.

- Local communities could keep more of the money they raised for school construction. Ultimately public schools would have more money for new schools, more teachers, and up-to-date classroom supplies.

TEACHER HIRING MANDATE

Background

The President is seeking a total of $1.75 billion in fiscal year 2001 for his "class size reduction" initiative – a plan to subsidize the hiring of 100,000 teachers nationwide over 7 years, according to the Department of Education. This is an increase of $450 million, or 35 percent, over the $1.3 billion provided in fiscal year 2000.

The intended goal is "reducing class sizes in grades 1-3 to 18 or fewer students."

Key Points

< Studies have repeatedly shown that *teacher quality* has a far greater impact on student achievement than does class size – and a study from the University of Rochester showed little correlation between class size and performance.

  - Eric A. Hanushek, of the University of Rochester, surveyed 277 studies that attempted to correlate student-teacher ratios and student achievement. He reported that only 15 percent of the studies found a clear positive relationship between class size and student achievement; 13 percent found a negative relationship, and the rest were not statistically significant. He concludes that *too much emphasis has been put on class size and not enough attention is paid to improving teacher quality.*

  - Too many teachers are inadequately prepared to teach in their subject areas. Schools need better teachers who are better used.

  - Thirty-five States have joined a consortium that, beginning in 2003, will test and license new teachers.

< The $1.3 billion Congress appropriated for the current fiscal year is a $100-million, or 8-percent, increase over fiscal year 1999, the program's first year.

< The average K-12 class size in the Nation is already 16.6, according to the Department of Education's *Education Statistics Quarterly*, Summer 1999 issue.

< Last year's congressional appropriation for this program allowed 25 percent of the funding to be used for teacher training and development at the discretion of each State – allowing the flexibility that many Governors have requested.

< GOP Governors have urged Washington "to commit to a true partnership with the States through greater flexibility in policy, programs, and regulations."

< Many House Members say Congress should meet previous mandates first – especially its commitment to fund special education.

21ST CENTURY LEARNING CENTERS

Background

In his budget for fiscal year 2001, the President has proposed an expanded version of his 21st Century Community Learning Center program. He has proposed increasing the program's funding by $547 million, more than a 120 percent increase over its current funding level of $453 million.

21st Century Community Learning Centers, as authorized by Title X, Part I, of the Elementary and Secondary Education Act, are after-school, weekend, and summer programs that are set up by public schools or groups of public schools. The Centers receive three-year grants to use public school buildings in rural and inner city communities to provide educational, recreational, cultural, health and social services to various targeted community members. The program's authorization expired in fiscal year 1999.

Key Points

< After-school programs can be particularly helpful to disadvantaged children, but are promoted, managed, and funded most effectively at the State or local level.

< The Department of Education does not possess sufficient knowledge of the quality and participation in the 21st Century Community Learning Centers to justify more than doubling the existing funding. The program's funding has grown from $750,000 to $453 million in the past 6 years, but no formal studies of the program have yet been conducted.

< Rather than focusing on providing children with a strong academic background and a safe learning environment, the law authorizing these Centers specifies that they provide the following: senior citizen programs; children's day care services; support and training for day care providers; parenting skills education programs; integrated education, health, social service, recreational, or cultural programs; summer and weekend school programs in conjunction with recreation programs; services for individuals who leave school before graduating from secondary school, regardless of the age of such individual; employment counseling, training and placement; nutrition and health programs; literacy education programs; expanded library service hours to serve community needs; telecommunications and technology programs for individuals of all ages; and services for individuals with disabilities. The administration has also indicated that the Centers should strive to reduce drugs and violence.

< The President has been inconsistent in his support for 21st Century Community Learning Centers. He requested no funds for the program in fiscal year 1996 and a rescission of the entire $750,000 for fiscal year 1995. Again in fiscal year 1997, the President requested no funding for the Centers. The President argued that separate funding was not needed because: "The Elementary and Secondary Education Act, as amended, authorizes local

education agencies, individual schools, or consortia of schools to use up to 5 percent of the funds they receive under ESEA to establish and implement coordinated services projects that provide elementary and secondary school students and their families better access to social, health, and education services." (Fiscal Year 1997 Department of Education budget request)

Waste, Fraud, Abuse, And Mismanagement

< The program duplicates existing Federal programs and, therefore, may not be the most efficient use of Federal resources. Similar programs include: the section of the ESEA that permits up to 5 percent of awarded funds to be used for coordinated services projects; Safe and Drug Free schools; the Bilingual Education Act; and some Individuals with Disabilities Education Act programs. In addition, child care legislation funds some similar programs.

< It is difficult to ensure program accountability, particularly given the tremendous growth in the program. The House Committee on Appropriations expressed concerns about the program's accountability, saying the following:

> "The Committee remains concerned that the Department has not identified specific, measurable standards consistent with the requirements of the Government Performance and Results Act for the 21st Century Community Learning Centers. It is essential for the Department to develop specific measurable standards relating to the core services listed in the authorizing legislation and particularly focusing on academic and social preparation for school. Such data should include baseline data on the academic improvements and transfer of programmatic innovations and specific, measurable changes that are expected to occur as a result of proposed increased funding." (Departments of Labor, Health and Human Services, and Education, and Related Agencies Fiscal Year 1999 appropriations bill)

< Although the Department of Education has indicated its intention to fund a 4-year external evaluation of the program, there have not been any thorough empirical evaluations of the programs' performance to date.

NEW FEDERAL TEACHER GRANTS

Background

The President is proposing to redirect $724 million (all $365.75 million from Title VI Block Grants and $358.3 million from Eisenhower State grants and Federal activities) and $276 million in new money to fund his $1-billion "Improving Teacher Quality" program. The majority of the funds would go for grants to States and school districts to fund professional development.

This initiative includes several new proposals:

< **Teaching to High Standards State Grants** – $690 million – grants to promote professional development and school and classroom-based improvements linked to State standards and assessments.

< **Higher Pay for Teachers** – $50 million – grants to lower-income school districts to help them attract and retain high-quality teachers through better pay. Participants would receive immediate pay increases and additional raises based on their demonstration of high-quality teaching through peer review.

< **Teacher Quality Rewards** – $50 million – will reward school districts that have made progress in reducing the number of uncertified teachers and teachers teaching outside their subject areas.

< **Hometown Teacher Recruitment** – $75 million – a grant program for lower-income school districts to recruit homegrown teachers to address the shortage of qualified teachers.

< **Transition to Teaching** – $25 million – would facilitate transition of civilian professionals to teaching and would be patterned after the Department of Defense's "Troops to Teachers" program.

< **Early Childhood Educator Professional Development** – $30 million – to train 15,000 early childhood educators and caregivers to further children's language and literacy skills.

< **School Leaders Initiative** – $40 million – provides funding for non-profit partnerships designed to recruit, prepare and provide professional development for superintendents and principals, and other school leaders.

Additionally, this category includes $25 million for new "activities for the improvement of teaching and school leadership" and $15 million for the continuation of the Eisenhower regional math and science education consortia.

Key Points

< The bipartisan Teacher Empowerment Act [TEA], pending in the Senate, allows local schools to decide how best to ensure that every student has a qualified teacher. TEA upgrades the Federal investment in teacher quality by consolidating certain Federal teacher preparation programs; allowing States and localities more flexibility in exchange for increased accountability; encouraging innovation and experimentation in professional development programs; and eliminating funding for the National Board for Professional Teaching Standards.

< This proposal eliminates the popular Title VI block grant.

- Title VI grants support locally chosen reform programs and can include such things as: acquisition and use of instructional materials; technology and training; adult education; magnet schools; drop-out prevention; gifted and talented programs; and libraries.

- In every budget the Clinton administration has submitted, the very popular Title VI Block Grant has been eliminated.

< TEA already addresses each of the President's new proposals without spending more money and preserves the Title VI Block Grant program.

< Title IV of the Higher Education Act (reauthorized in 1998) provides loan forgiveness to students who choose to teach in high poverty districts. Additionally, Title II of the Higher Education Act, funded at $80 million in fiscal year 2000, provides grants for States and partnerships for recruitment and other teacher quality initiatives.

< The administration has insisted on locking school district funding into hiring additional teachers when school districts should decide for themselves if that is the highest priority use of the more than $1 billion. Last year, Congress won for local schools the freedom to use up to 25 percent of that money for teacher training and development.

< According to the U.S. Department of Education, the number of public school teachers has increased at approximately the same rate as the number of students over the past 10 years. In 1998, the student/teacher ratio was 16.6; in 1988, it was 17.3. (U.S. Department of Education, National Center for Education Statistics, *Digest of Education Statistics, 1998*, May 4, 1999.)

Waste, Fraud, Abuse, And Mismanagement

< In May of 1999, GAO testified before the Education and Workforce Committee's Subcommittee on Postsecondary Education, Training, and Life-Long Learning, that there were 13 agencies administering 87 programs that support teacher training to varying

degrees. Federal funding for teacher training is estimated to have exceeded $1.5 billion during fiscal year 1999. The Department of Education accounts for over 86 percent of total funding.

< Teacher training needs to be overhauled.

- More than 63 percent of education professors admit that their programs often fail to prepare teachers for the challenge of real-world teaching.

- 80% say their programs need to do a better job of weeding out unsuitable teachers.

- Seventy-five percent find their students have trouble writing essays free of grammar and spelling mistakes. (Public Agenda Foundation, *Different Drummers: How Teachers of Teachers View Public Education*, 1997.)

STUDENT FINANCIAL AID

Background

The President's fiscal year 2001 budget once again negatively impacts the private sector's role in the student loan market, thereby creating a bias in favor of the Federal Direct Loan Program.

This budget proposal contains many of the Federal Family Education Loan Program [FFELP] cuts called for in the past, with additional major cuts to FFELP lenders. Included once again is a proposal to impose a special cut on loans made with tax exempt funds. Also included are significant cuts to guaranty agencies. There are 36 active State and private nonprofit guaranty agencies that administer the Federal guarantee protecting FFELP lenders against losses related to borrower default. These agencies also collect on defaulted loans and provide other services to lenders. The FFELP program accounts for about two-thirds of student loan volume.

The cuts proposed by the administration are claimed to save $2.3 billion in 2001 and $3.8 billion over 5 years. The cuts include the following:

< Reduce special allowance by 31 basis points from 90-Day Commercial Paper [CP] plus 2.34 percent to CP plus 2.03 percent.

< Eliminate interest subsidies to lenders that fund loans through tax-exempt securities. (This means eliminate the rest of the 50 basis point differential between borrower and lender interest rates, thus cutting these lenders another 19 basis points.)

< Recall another $950 million in guaranty reserves in 2001.

< Accelerate to 2001 a total of $359 million in reserves scheduled for recall in 2002, 2006, and 2007.

- Reduce the percentage that guaranty agencies currently retain on defaulted loans they collect from 24 percent to 18.5 percent and reduce retention to 12 percent on defaulted loans that are consolidated.

Key Points

- The Department's spending on administration of the postsecondary education programs would reach $730 million, an increase of 4.8 percent over fiscal year 2000.

- New loan volume for fiscal year 2001 (1 October 2000 through 30 September 2001) is projected at $11.2 billion for direct loans (up from $10.6 billion in 2000) and $22.2 billion for FFELP (up from $21 billion). Direct consolidation loan volume is projected at $4.4 billion up from $4.3 billion in 2000, with FFELP consolidation volume at $4.75 billion up from $4.6 billion.

- The 1992 reauthorization of the Higher Education Act declared the guaranty agency reserve funds to be the property of the United States, regardless of who holds or controls them. The Higher Education Act of 1998 divided the remaining reserves into a guaranty agency piece and a Federal share, for each of the guaranty agencies. The Federal share is available for paying some portion of the claims and receives interest and other collections. It is being transferred over time to a single "restricted account," which will be transferred to Treasury at the times specified by various Acts that reclaimed reserves.

- Because the Federal share clearly belongs to the Federal Government, the Congressional Budget Office [CBO] believes it should be reclassified as a balance of funds already within the budget universe and that it would be inappropriate to score new receipts when these reserves are transferred to the Treasury. Instead, they would treat the transfer as just an intragovernmental transfer of Federal assets.

- Reclassifying the Federal reserves so would entail the following:

  - Not counting offsetting receipts for any recall of existing reserves.

  - Counting the annual net change in the reserves as offsetting receipts (for an increase) or as outlays (for a decrease). Reserves are expected to increase in 2001 and the outyears by about $30 million annually.

- After discussing the legislative history concerning the reserves, there appeared to be a consensus among the congressional scorekeepers and they agreed that the reserves should be reclassified as budgetary. The administration's Office of Management and Budget [OMB] did not agree to reclassification. Because CBO has said it will not score savings to legislation that recalls reserves, there will be differences between OMB and CBO scoring on any such legislation.

Waste, Fraud, Abuse, and Mismanagement

< In 1992, GAO designated the Department's Student Financial Aid [SFA] programs as "high-risk" areas – meaning they were exceptionally vulnerable to fraud, waste, abuse, and mismanagement. In January 1999, GAO's report on major management challenges and program risks at the Department said in part:

"Education continues to lack the financial and programmatic information necessary to effectively budget for and manage its student financial aid programs and to accurately estimate the government's liabilities. For example, Education continues to lack accurate, reliable data on costs associated with outstanding student loans. Therefore, GAO continues to designate these programs as high risk."

< The administration continues to claim that the costs of Direct Loans are one-fourth the cost to the government of FFELP loans. But a March 1999 study by the Department of Education's inspector general said FFEL program lenders are more efficient at loan servicing than the Department of Education. This study provides an apples-to-apples comparison of loan servicing costs, and found that the Department's costs were 30 percent higher than a large private-sector lender's cost of servicing the same kind of loan.